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PUBLIC HEARING SIGN-UP SHEETDATE/TIME: April 24, 2007 @ 6:00PMSTAFF: CC, JC, LK, SI, BGKCITY/ISLAND: Kaunakakai, MolokaiPLACE/ADDRESS: Mitchell Pauole Center Conference Rm., 90 Ainoa StreetDKT.NO./APPLICANT: Dkt. No. 2006-0387, MECOSUBJECT: Approval to Rate Increases and Revised Rate Schedules**(PLEASE PRINT)**

	NAME	ORGANIZATION/ADDRESS
1.	Edward Reinhardt	Maui Electric Co. Ltd.
2.	Catherine Awakuni	Consumer Advocate
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Maui Electric Company
Public Hearing Statement
Docket No. 2006-0387
MECO Application for a Rate Increase

April 24, 2007
Mitchell Pauole Center, Kaunakakai

Introduction

Good evening Chairman Caliboso, Commissioner Cole and members of the audience. My name is Edward Reinhardt and I am President of Maui Electric Company.

Let me begin by thanking all of our customers who came tonight to share their thoughts. It is important for us to know what is important to all of you.

We know that any rate increase is not a happy event for any customer and we, therefore, never make the decision to apply for one lightly. We also, however, need to do the right things by our system, especially in maintaining reliable service, and unfortunately, that sometimes means rate increases.

Millions of dollars have been invested in the current Maui Electric facilities on Molokai. Since MECO's last rate increase eight years ago, we invested \$3.5 million in plant additions to continue to provide reliable electric service to our customers on Molokai. We have an obligation to keep that system maintained and in good working order for our customers; and we will do so.

So with that as a background, let me discuss the specifics of this particular rate increase.

Tonight, I will briefly cover how much of an increase we are asking for, what the increase will be used for, and how it will affect customer bills. In particular, I want to explain the innovative new rate structures we are proposing to help minimize the impact on lower income families and those who conserve energy.

How much of an increase is MECO requesting and how will it be structured?

MECO is requesting an overall net increase of \$19 million in base revenues for Maui County in total. For Molokai, we are seeking an increase of \$681,000 or 5.3% over present revenues. This proposed increase is less than our studies show we should be requesting for Molokai. Setting rates according to the cost of providing service would have resulted in a 9.7% increase for customers on Molokai. To mitigate the impact of such an increase, we have decided to propose an equal percentage increase of 5.3% for Maui, Molokai and Lanai.

We have also proposed opportunities for customers to save money and to fairly shift more of the responsibility to those who contribute the most to high electricity costs.

First, we are asking the Commission to approve a residential tiered rate structure so those who use less electricity will pay lower rates. Under this plan, the majority of customers on Molokai will see smaller monthly increases in their electric bill, in the range of 2% to 4.4%. Those who use a lot of electricity will see larger increases in their monthly bill, for example, approximately 6.9% for a residence using 2,000 kWh. This new tiered system encourages energy conservation and efficiency and rewards customers who use energy wisely. We have proposed similar rate structures for the Big Island and Oahu.

At the same time, recognizing that some low-income families have large households with higher electricity use, we are also developing a provision to cap the electric rate applied for certain low-income households so that the tiered rate system does not unduly burden these families.

Second, to encourage use during off-peak times when power generation reserves are greater, the proposal also includes a voluntary time-of-use rate option for residential and commercial customers, which would provide lower electric rates for off-peak usage times and higher electric rates for peak usage times.

Why is a rate increase needed?

Although one of the major reasons for MECO's proposed increase is the addition of the M18 and M19 generating units at the Maalaea Generating Station on Maui, the Company has also experienced increased costs to provide and maintain reliable service on Molokai since our last rate increase eight years ago.. This has included the replacement of transformers at the Palauu and Puunana substations, and underground main feeder replacements in the Kuluakoi area.

Our responsibility to provide reliable electrical service on Molokai also requires us to ensure proper maintenance of our electrical equipment and facilities. This includes more frequent inspections of utility lines and poles, increased vegetation management to keep our lines clear of trees and brush that could cause service outages, and proper servicing of our power generators.

What is the effect of the rate increase on customer bills?

What most of our customers will want to know is "how will this increase affect my electric bill?" If approved, MECO's tiered-rate structure would provide smaller

percentage increases for those who use less electricity. For example, if the full request is approved, a "typical" residential customer on Molokai using 500 kWh a month would pay \$8.69 more, or about a 5% increase instead of the overall 5.3% increase.

Again, the tiered system we are proposing is intended to encourage conservation and lessen the impact on residential customers who use smaller amounts of electricity. If approved, we anticipate the earliest a rate increase might take effect is in late 2007.

Conclusion

Thank you for this opportunity to briefly describe our rate increase application. As I mentioned earlier, we will be available after the public hearing to answer your questions and concerns.

**PUBLIC HEARING
MAUI ELECTRIC COMPANY, LIMITED
DOCKET NO. 2006-0387**

**Presentation of Catherine P. Awakuni, Executive Director
Division of Consumer Advocacy
Tuesday, April 24, 2007, 6:00 P.M.
Mitchell Pauole Center Conference Room**

Good evening Chairman Caliboso and Commissioner Cole. I am Catherine Awakuni, Executive Director of the Division of Consumer Advocacy ("Division"). The Division represents the interests of the consumers in public utility matters. To that end, I am here this evening to listen to the consumers' comments and concerns regarding Maui Electric Company, Limited's ("MECO") request for approval to increase its rates and revise its rate schedules.

The Consumer Advocate's role is to represent the interests of all Hawaii consumers of public utility services by advocating for reliable utility services at reasonable customer costs. To do this, the Consumer Advocate is taking an independent look at MECO's request for Public Utilities Commission ("Commission") approval of its rate increase. We will confirm whether there is a need for the proposed rates and whether the rates proposed are necessary to ensure the provision of reliable service. After completing our review, we will file direct testimonies with the Commission explaining our analysis and recommendations. At this time, the Consumer Advocate has not completed its analysis and is not able to state its position on the merits of MECO's request this evening.

If this application goes to an evidentiary hearing, the Division's analysts and consultants who submit direct testimony will have an opportunity, as witnesses, to orally summarize their written testimony before the Commission, and because an evidentiary hearing is a quasi-judicial proceeding, the witnesses will be subject to thorough

cross-examination by all parties. Following the contested case hearing, the parties will summarize their positions in post hearing briefs.

The Commission will ultimately decide whether to allow MECO to proceed with its request and we encourage the public to express their opinions to the Commission regarding MECO's proposal. Your input is important because only you can tell us what effect the company's proposal may have on you and the businesses you may represent.

As we move forward, please feel free to contact the Division's office at anytime to share your thoughts, concerns, and questions regarding this or any other utility matter.

Thank you for the opportunity to make this presentation.

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